

**Tyrone Township
Livingston County, Michigan**

**Financial Report
With Supplemental Information
March 31, 2008**

Tyrone Township

List of Elected Officials

Supervisor	Andrew Schmidt
Clerk	Hod Morton
Treasurer	David Kurtz
Trustee	Steven Nagy
Trustee	Lynn Thompson
Trustee	Robert Byerly
Trustee	Brian Miles

Tyrone Township

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Independent Auditor's Report

The Honorable Members
of the Township Board of
Tyrone Township
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township, Michigan (Township) as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the General Fund budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Members
of the Township Board
Tyrone Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 15, 2008

Management's Discussion and Analysis

Tyrone Township

Management's Discussion and Analysis

This section of Tyrone Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2008. Please read it in conjunction with the Township's financial statements, which follow this section.

Financial Highlights

- The Township's Total Net Assets are \$14,814,553.
- During the year, the Township's total net assets decreased \$543,484. Governmental activities realized a \$190,327 increase in net assets. Business activities realized an decrease of \$733,811 in net assets.
- General fund revenues exceeded expenditures by \$131,403, leaving a fund balance of \$634,379.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Tyrone Township

Management's Discussion and Analysis (Continued)

Table I (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Table I - Summary Condensed Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue						
Program revenue:						
Charges for services	\$ 322,302	\$ 279,540	\$ 254,570	\$ 243,919	\$ 576,872	\$ 523,459
Capital grants and contributions	-	-	607,664	990,305	607,664	990,305
General revenue:						
Property taxes	401,870	393,901	-	-	401,870	393,901
State-shared revenue	573,815	580,794	-	-	573,815	580,794
Franchise fees	73,512	69,294	-	-	73,512	69,294
Interest	50,338	48,761	116,910	349,611	167,248	398,372
Total revenue	1,421,837	1,372,290	979,144	1,583,835	2,400,981	2,956,125
Program Expenses						
General government	674,296	818,753	-	-	674,296	818,753
Public safety	460,557	599,238	-	-	460,557	599,238
Public works	71,993	82,582	-	-	71,993	82,582
Health and welfare	4,769	5,300	-	-	4,769	5,300
Interest on long term debt	19,895	6,382	-	-	19,895	6,382
Sewer	-	-	1,712,955	785,496	1,712,955	785,496
Total program expenses	1,231,510	1,512,255	1,712,955	785,496	2,944,465	2,297,751
Change in Net Assets	190,327	(139,965)	(733,811)	798,339	(543,484)	658,374
Net assets - Beginning of year	1,240,657	1,380,622	14,117,380	13,319,041	15,358,037	14,699,663
Net assets - End of year	\$1,430,984	\$ 1,240,657	\$13,383,569	\$14,117,380	\$14,814,553	\$15,358,037

Tyrone Township

Management's Discussion and Analysis (Continued)

Table 2 - Tyrone Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$1,765,449	\$1,647,623	\$11,431,453	\$12,230,614	\$13,196,902	\$13,878,237
Capital assets	179,594	190,790	16,599,466	17,047,006	16,779,060	17,237,796
Total assets	1,945,043	1,838,413	28,030,919	29,277,620	29,975,962	31,116,033
Long-term liabilities outstanding	312,000	404,000	13,650,000	14,360,000	13,962,000	14,764,000
Other liabilities	202,059	193,756	997,350	800,240	1,199,409	993,996
Total liabilities	514,059	597,756	14,647,350	15,160,240	15,161,409	15,757,996
Net assets:						
Invested in capital assets, net of related debt	179,594	190,790	2,448,549	2,290,838	2,628,143	2,481,628
Restricted	327,026	363,178	10,881,496	11,673,874	11,208,522	12,037,052
Unrestricted	924,364	686,689	53,524	152,668	977,888	839,357
Total net assets	\$1,430,984	\$1,240,657	\$13,383,569	\$14,117,380	\$14,814,553	\$15,358,037

The governmental net assets increased 15.3 percent from a year ago - increasing from \$1,240,657 to \$1,430,984. In contrast, last year's net assets decreased by 10.1 percent.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$237,675 for the governmental activities. This represents an increase of approximately 35 percent. The current level of unrestricted net assets for our governmental activities stands at \$924,364 or about 75.1 percent of expenditures.

The Township's total governmental revenues increased by \$49,547. The increase, which represents 3.6 percent, primarily due to an increase in charges for service.

Expenses decreased by \$280,745 during the year. The decrease is a result of decreased spending in general government and public safety. General government expenses decreased by approximately \$145,000. Legal fees decreased by approximately \$119,000 and special census expenses decreased by approximately \$10,000. Public safety expenses decreased by approximately \$139,000. In the prior year there was an expense of \$195,000 as a result of the withdrawal from the Fire Authority joint venture. In the current year the contract with the sheriff for police protection increased by \$14,000 and the fire run reimbursement increased by \$43,000.

The Township's business-type activities consist of the Sewer Fund.

The net assets of business-type activities decreased 5 percent from a year ago – decreasing from \$14,117,380 to \$13,383,569.

Tyrone Township

Management's Discussion and Analysis (Continued)

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$99,144. This represents a decrease of approximately 65 percent. The current level of unrestricted net assets for the business type activities stands at \$53,524.

Budgetary Highlights

The General Fund expenditure budget was amended during the year. The major change was a reduction of public safety expenditures related to the possible construction of a new fire hall, this change resulted in an anticipated increase in fund balance of \$51,199.

The amended budget anticipated an overall increase in fund balance of \$51,199. Actual results were an increase in fund balance of \$131,403.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$16,771,560 invested in a broad range of capital assets, including buildings, equipment, and sewer lines.

Economic Factors and Next Year's Budgets and Rates

The downward trend of Michigan's economy continues to require the state to reduce state shared revenue allocations to local governments. This causes local governments to look to other local revenue sources to finance operations. A positive situation for the Township is the growth in the tax base as the Township has become a desired area where new residential housing is occurring.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 10408 Center Road, Fenton, Michigan 48430-9439.

Basic Financial Statements

Government-wide Financial Statements

Tyrone Township

Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,432,583	\$ 238,199	\$ 1,670,782
Receivables	310,398	8,704,447	9,014,845
Prepays	2,873	-	2,873
Internal balances	19,595	(19,595)	-
Cash and equivalents - Restricted	-	1,587,638	1,587,638
Cash held with agent - Restricted	-	920,764	920,764
Capital assets - Not subject to depreciation	7,500	-	7,500
Capital assets - Subject to depreciation	172,094	16,599,466	16,771,560
Total assets	1,945,043	28,030,919	29,975,962
Liabilities			
Accounts payable	100,977	21,101	122,078
Due to other governmental units	-	150	150
Deposits	-	19,862	19,862
Accrued and other liabilities	9,082	246,237	255,319
Noncurrent liabilities:			
Due within one year	92,000	710,000	802,000
Due in more than one year	312,000	13,650,000	13,962,000
Total liabilities	514,059	14,647,350	15,161,409
Net Assets			
Invested in capital assets - Net of related debt	179,594	2,448,549	2,628,143
Restricted for:			
Capital projects	-	920,764	920,764
Debt service	269,749	9,960,732	10,230,481
Streets and right of way	22,215	-	22,215
Other purposes	35,062	-	35,062
Unrestricted	924,364	53,524	977,888
Total net assets	\$ 1,430,984	\$ 13,383,569	\$ 14,814,553

Tyrone Township

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 674,296	\$ 287,841	\$ -
Public safety	460,557	3,562	-
Public works	71,993	30,899	-
Health and welfare - Seniors	4,769	-	-
Interest on long term debt	19,895	-	-
Total governmental activities	1,231,510	322,302	-
Business-type activities:			
Sewer	1,712,955	254,570	607,664
Total business-type activities	1,712,955	254,570	607,664
Total primary government	\$ 2,944,465	\$ 576,872	\$ 607,664
General revenues:			
Property taxes			
State shared revenues			
Franchise fees			
Unrestricted investment earnings			
Total general revenues			
Change in net assets			
Net Assets - Beginning of year			
Net Assets - Ending of year			

Statement of Activities
Year Ended March 31, 2008

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (386,455)	\$ -	\$ (386,455)
(456,995)	-	(456,995)
(41,094)	-	(41,094)
(4,769)	-	(4,769)
(19,895)	-	(19,895)
(909,208)	-	(909,208)
-	(850,721)	(850,721)
-	(850,721)	(850,721)
(909,208)	(850,721)	(1,759,929)
401,870	-	401,870
573,815	-	573,815
73,512	-	73,512
50,338	116,910	167,248
1,099,535	116,910	1,216,445
190,327	(733,811)	(543,484)
1,240,657	14,117,380	15,358,037
\$ 1,430,984	\$ 13,383,569	\$ 14,814,553

Fund Financial Statements

Tyrone Township

Balance Sheet Governmental Funds March 31, 2008

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	\$ 672,805	\$ 759,778	\$ 1,432,583
Receivable:			
Property taxes	15,729	-	15,729
Special assessments	-	113,635	113,635
Due from other funds	20,445	178,608	199,053
Due from other governments	125,006	56,028	181,034
Prepaid items	2,873	-	2,873
Total assets	\$ 836,858	\$ 1,108,049	\$ 1,944,907
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 98,907	\$ 2,070	\$ 100,977
Due to other funds	103,161	76,297	179,458
Deferred revenue	411	113,635	114,046
Total liabilities	202,479	192,002	394,481
Fund Balances			
Reserved for:			
Prepaid items	2,873	-	2,873
Debt service	-	156,114	156,114
Other purposes	-	35,062	35,062
Unreserved reported in:			
General fund	631,506	-	631,506
Special revenue funds	-	724,871	724,871
Total fund balances	634,379	916,047	1,550,426
Total liabilities and and fund balances	\$ 836,858	\$ 1,108,049	\$ 1,944,907

Tyrone Township

Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended March 31, 2008

Fund balances reported in the Governmental Funds	\$ 1,550,426
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	179,594
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	114,046
Bonds, notes payable, and accrued interest payable are not due and payable in the current period and are not reported in the funds	<u>(413,082)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,430,984</u></u>

Tyrone Township

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended March 31, 2008

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 401,870	\$ -	\$ 401,870
Special assessments	-	64,915	64,915
State - shared revenues	573,815	-	573,815
Licenses and permits	83,614	-	83,614
Fees	160,724	-	160,724
Charges for services	93,684	1,863	95,547
Interest	25,321	25,017	50,338
Other	25,180	-	25,180
Total revenue	1,364,208	91,795	1,456,003
Expenditures			
Current:			
General government	637,840	6,752	644,592
Public safety	458,694	1,863	460,557
Public works	9,095	18,985	28,080
Health and welfare - Seniors	4,769	-	4,769
Highways and streets	-	43,913	43,913
Capital outlay	4,907	13,601	18,508
Debt service	39,000	63,813	102,813
Total expenditures	1,154,305	148,927	1,303,232
Excess (deficiency) of revenue over expenditures	209,903	(57,132)	152,771
Other Financing Sources (Uses)			
Transfers out	(78,500)	-	(78,500)
Transfers in	-	78,500	78,500
Total other financing sources (uses)	(78,500)	78,500	-
Net change in fund balances	131,403	21,368	152,771
Fund Balances - Beginning of year	502,976	894,679	1,397,655
Fund Balances - End of year	\$ 634,379	\$ 916,047	\$ 1,550,426

Tyrone Township

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net change in fund balances - Total governmental funds	\$ 152,771
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however in the statement of activities these costs are allocated over their estimated useful lives as depreciation expense:	
Capital outlay	-
Depreciation expense	-
Revenues are recorded in the statement of activities when earned: they are not recorded in the funds until collected or collectible within 60 days of year end	(34,166)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: Change in accrued interest payable	(9,082)
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>92,000</u>
Change in net assets of governmental activities	<u><u>\$ 201,523</u></u>

Tyrone Township

Statement of Net Assets Proprietary Fund March 31, 2008

	Enterprise Fund Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 238,199
Accounts receivable	34,419
Special assessment receivable	603,061
Due from other governments	425,907
Total current assets	1,301,586
Noncurrent assets:	
Restricted cash	1,587,638
Cash held with agent - Restricted	920,764
Special assessment receivable	7,641,060
Capital assets	16,599,466
Total noncurrent assets	26,748,928
Total assets	28,050,514
Liabilities	
Current liabilities:	
Accounts payable	21,101
Due to other governmental units	150
Due to other funds	19,595
Accrued interest payable	246,237
Deposits	19,862
Current portion of long-term debt	710,000
Total current liabilities	1,016,945
Noncurrent liabilities:	
Long-term debt - Net of current portion	13,650,000
Total liabilities	14,666,945
Net Assets	
Invested in capital assets - Net of related debt	2,448,549
Restricted for:	
Capital projects	920,764
Debt service	9,960,732
Unrestricted	53,524
Total net assets	\$ 13,383,569

Tyrone Township

Statement of Revenue, Expenses, and Changes in Net Assets Proprietary Fund Year Ended March 31, 2008

	Enterprise Fund Sewer Fund
Operating Revenue	
Charges for services	\$ 231,294
Interest and penalty charges	1,691
Other miscellaneous revenue	21,585
Total operating revenue	254,570
Operating Expenses	
Cost of sewer operations and maintenance	327,809
Depreciation	536,262
Total operating expenses	864,071
Operating Loss	(609,501)
Nonoperating Revenue (Expenses)	
Investment income	116,910
Interest expense and fiscal charges	(848,884)
Loss Before Contributions	(1,341,475)
Capital Contributions	
Special assessments	607,664
Change in Net Assets	(733,811)
Net Assets - Beginning of year	14,117,380
Net Assets - End of year	<u><u>\$ 13,383,569</u></u>

Tyrone Township

Statement of Cash Flows Proprietary Fund Year Ended March 31, 2008

	Enterprise Fund Sewer Fund
Cash Flows from Operating Activities	
Cash receipts from customers	\$ 205,296
Cash payments to suppliers	(342,516)
Net cash used in operating activities	(137,220)
Cash Flows from Capital and Related Financing Activities	
Special assessments collections	1,234,894
Purchase of capital asset	(88,722)
Principal payments on capital debt	(700,000)
Interest paid on capital debt	(602,647)
Net cash used in capital and related financing activities	(156,475)
Cash Flows from Investing Activities	
Interest earned	116,910
Net decrease in cash	(176,785)
Cash and Cash Equivalents - Beginning of year	2,868,908
Cash and Cash Equivalents - End of year	\$ 2,692,123
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 238,199
Restricted cash	1,587,638
Cash held with agent - Restricted	920,764
Total cash and cash equivalents	\$ 2,746,601
Reconciliation of Operating Loss to Net Cash used in Operating Activities	
Operating loss	\$ (609,501)
Adjustments to reconcile operating loss to net cash used in operating activities -	
Depreciation and amortization	536,262
Changes in operating assets and liabilities:	
Accounts receivable	16,250
Due from other governments	(66,374)
Accounts payable	(14,707)
Deposits	850
Net cash used in operating activities	\$ (137,220)

Noncash Financing Activities - During the year ended March 30, 2008 the Sewer fund incurred \$246,237 of accrued interest.

Tyrone Township

Statement of Assets and Liabilities Fiduciary Funds March 31, 2008

	<u>Agency Funds</u>
Assets	
Cash and investments	<u><u>\$ 146,630</u></u>
Liabilities	
Account payable	\$ 4,261
Due to other governmental units	95,855
Due to individuals	3,150
Performance deposits	<u>43,364</u>
Total liabilities	<u><u>\$ 146,630</u></u>

Notes to Basic Financial Statements

Note I - Summary of Significant Accounting Policies

The accounting policies of Tyrone Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Tyrone Township.

A. Reporting Entity

The Township of Tyrone is located in Livingston County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, planning, general administrative services, and sewer. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The Township has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Sewer Disposal System Fund accounts for the operations of the sewage pumping and collection systems.

Additionally, the government reports the following fund type:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Property Tax Revenue

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 to February 28 each year.

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$453 million on which taxes levied consisted of .9067 mills for operating purposes. This resulted in approximately \$402,000 for operating purposes recognized in the General Fund.

E. Assets, Liabilities, and Net Assets or Equity

1. Bank deposits and investments

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

2. Restricted cash and cash equivalents

The Township's Sewer Enterprise Fund has cash in the amount of \$1,587,638 that is restricted for debt service. The balance represents special assessments that have been collected and will be used to pay off the sewer bonds. The Sewer Fund has unspent bond proceeds, investment earnings and prepayments of \$920,764 on deposit with the Livingston County Water and Waste Services Division for the construction of sewer line improvements. The Division will hold these funds on behalf of the Township and expend the proceeds for allowable construction costs.

Note I - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvement	15
Vehicles	5
Office equipment	5
Furniture and fixtures	7
Sewer distribution system	39

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

B. Budget Adoption

Budgets for all special revenue funds were not legally enacted by the Township Board. Adoption of budgets for all special revenue funds is required by Public Act 621 of the State of Michigan.

C. Excess of Expenditures Over Appropriations in General Fund

During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
General government:		
Board of review	\$ -	\$ 898
Building and ground	30,475	37,566
Zoning board and appeals	8,580	10,414
Public Safety:		
Fire	177,724	305,555

D. Fund Deficits

The Building and Site Fund had a deficit of \$542.

Note 3 - Detailed Notes on All Funds

A. Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan

Note 3 - Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,756,520 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
MBIA CLASS-mutual fund	\$308,509	AAA-VI	Fitch
State Bank – sweep	781,100	not rated	
Chase – sweep	92,351	Aaa	Moody's

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 15,729	\$ -	\$ 15,729
Accounts	142,996	-	142,996
Special assessment	-	113,635	113,635
Intergovernmental	125,006	56,028	181,034
Gross receivables	283,731	169,663	453,394
Less: allowance for uncollectibles	(142,996)	-	(142,996)
Net total receivables	\$ 140,735	\$ 169,663	\$ 310,398

Note 3 - Detailed Notes on All Funds (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ -	\$ 411
Special assessments	-	113,635
Total deferred/unearned revenue for governmental funds	<u>\$ -</u>	<u>\$114,046</u>

Business type activities:

	<u>Sewer Fund</u>
Receivables:	
Accounts	\$ 34,419
Special assessments	8,244,121
Intergovernmental	425,907
Gross receivables	8,704,447
Less: allowance for uncollectibles	-
Net total receivables	<u>\$8,704,447</u>

C. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

Primary Government

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2008</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Total capital assets, not being depreciated	7,500	-	-	7,500
Capital assets, being depreciated:				
Buildings	318,567	5,824	-	324,391
Land improvements	70,424	-	-	70,424
Machinery and equipment	154,688	12,684	(16,992)	150,380
Total capital assets being depreciated	543,679	18,508	(16,992)	545,195
Less accumulated depreciation for:				
Buildings	169,708	9,745	-	179,453
Land improvements	52,050	4,419	-	56,469
Machinery and equipment	138,631	15,540	(16,992)	137,179
Total accumulated depreciation	360,389	29,704	(16,992)	373,101
Total capital assets, being depreciated, net	183,290	(11,196)	-	172,094
Governmental activities capital assets, net	<u>\$190,790</u>	<u>\$ (11,196)</u>	<u>\$ -</u>	<u>\$179,594</u>

Tyrone Township

Notes to Financial Statements March 31, 2008

Note 3 - Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Primary Government (Continued)

	Balance April 1, 2007	Additions	Disposals	Reclassifi- cation	Balance March 31, 2008
Business-type Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 88,722	\$ (88,722)	\$ -	\$ -
Total capital assets, not being depreciated	-	88,722	88,722	-	-
Capital assets, being depreciated:					
Sewer system	18,950,882	88,722	-	-	19,039,604
Machinery and equipment	336,500	-	-	-	336,500
Total capital assets, being depreciated	19,287,382	88,722	-	-	19,376,104
Less accumulated depreciation for:					
Sewer system	2,048,091	488,191	-	-	2,536,282
Machinery and equipment	192,285	48,071	-	-	240,356
Total accumulated depreciation	2,240,376	536,262	-	-	2,776,638
Total capital assets, being depreciated, net	17,047,006	(447,540)	-	-	16,599,466
Business-type activities capital assets, net	\$17,047,006	\$(447,540)	\$ -	\$ -	\$16,599,466

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government \$ 29,704

Business-type activities:

 Sewer \$536,262

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of March 31, 2008 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Jayne Hill 1 & 2 fund	\$ 101
	Jayne Hill 4 fund	100
	Building and Site	649
	Sewer fund	19,595
Walnut Drive Lighting	General	661
Road improvement fund	Silver Lake Estates Road Improvement fund	75,447
Township improvement revolving fund	General fund	102,500
		<u>\$199,053</u>

Tyrone Township

Notes to Financial Statements March 31, 2008

Note 3 - Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General fund	Township improvement revolving fund	\$ 71,000
General fund	Technology fund	<u>7,500</u>
Total		<u>\$ 78,500</u>

The transfer from the General fund represent the movement of resources to be used for future improvements and technology needs.

E. Long-term Debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements are general obligations of the government.

A summary of the composition of the March 31, 2008, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at March 31, 2007</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at March 31, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:						
Tyrone Fire Authority Contract	January 15, 2012	0%	\$ 195,000	\$ (39,000)	\$ 156,000	\$ 39,000
Jayne Hill No. 1 & 2 Road Improvement Project						
Special Assessment Bonds	April 1, 2015	3.7	160,200	(17,800)	142,400	17,800
Jayne Hill No. 4 Road Improvement Special Assessment bonds	April 1, 2010	3.47	140,800	(35,200)	105,600	35,200
Total governmental activities			<u>\$ 496,000</u>	<u>\$ (92,000)</u>	<u>\$ 404,000</u>	<u>\$ 92,000</u>
Business-type Activities:						
Sewer Bonds						
Livingston County Sanitary Sewer Improvement Bonds Series 2003	May 1, 2023	3.0-5.0%	\$ 6,810,000	\$(325,000)	\$ 6,485,000	\$335,000
Livingston County Sanitary Sewer Improvement Bonds Series 2005	May 1, 2028	3.375-4.25%	8,250,000	(375,000)	7,875,000	375,000
Total business-type activities			<u>\$15,060,000</u>	<u>\$(700,000)</u>	<u>\$14,360,000</u>	<u>\$710,000</u>

Note 3 - Detailed Notes on All Funds (Continued)

E. Long-term Debt (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 92,000	\$ 9,082	\$ 710,000	\$ 579,197
2010	92,000	7,171	720,000	555,059
2011	92,000	5,260	725,000	530,006
2012	56,800	3,349	735,000	503,952
2013	17,800	2,679	735,000	476,858
2014-2018	53,400	4,020	3,805,000	1,935,033
2019-2023	-	-	4,180,000	1,087,175
2024-2028	-	-	2,375,000	291,406
2029	-	-	375,000	7,969
Total	\$404,000	\$ 31,561	\$14,360,000	\$5,966,655

Tyrone Township Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds

Tyrone Township issued \$178,000 in Special Assessment Bonds. The Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning on April 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds

Tyrone Township issued \$176,000 in Special Assessment Bonds. The Livingston County Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning in April 2007. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Fire Authority Contract

During the fiscal year, the Township entered into a settlement agreement contract because they opted out of the joint venture Hartland Deerfield Tyrone Fire Authority. The settlement requires five annual payments of \$39,000 each, commencing on January 15, 2008.

Note 3 - Detailed Notes on All Funds (Continued)

E. Long-term Debt (Continued)

Tyrone Township Sewer Bonds - Series 2003

Tyrone Township, through Livingston County, issued \$7,725,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2003 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 27, 2003 with interest payable November 1 and May 1, beginning on November 1, 2003. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Sewer Bonds - Series 2005

Tyrone Township, through Livingston County, issued \$8,640,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2005 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated June 22, 2005 with interest payable November 1 and May 1, beginning on May 1, 2007. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2008, the Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

Note 4 - Other Information

A. Pension

The Township has a qualified, contributory pension plan covering all elected officials established by Township Ordinance No. 31. The plan is administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan generally requires contributions of 10% of covered wages of participating employees. The employer contributes 75% and the employees contribute 25% of the required contribution. Benefits attributable to the employer contributions shall vest 100% upon the participants death, disability, normal retirement or upon the termination of the plan. Employee contributions are immediately 100% vested.

The Township's total payroll for the year ended March 31, 2008 was \$304,045. Contributions were based on the covered payroll (base salary) of \$62,425 during the plan period, which is April 1, 2007 through March 31, 2008. The Township and the covered employees made the required contributions of \$6,064 and \$2,238.

Note 5 - Risk Management and Contingent Liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 - Building Department Revenues and Expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended March 31, 2008 is as follows:

Shortfall at April 1, 2007	\$(193,997)
Construction permit revenue	8,575
Building department expenditures	<u>(36,905)</u>
Cumulative shortfall at March 31, 2008	<u><u>\$(222,327)</u></u>

Required Supplemental Information

Tyrone Township

Budgetary Comparison Schedule General Fund Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Amended	Amounts	Amended Budget
Revenue				
Property taxes	\$ 400,350	\$ 400,350	\$ 401,870	\$ 1,520
State - Shared revenues	600,000	550,000	573,815	23,815
Licenses and permits	62,950	70,950	83,614	12,664
Fees	175,000	175,000	160,724	(14,276)
Charges for services	73,005	88,005	93,684	5,679
Interest	5,000	20,000	25,321	5,321
Other	11,700	23,700	25,180	1,480
Total revenue	1,328,005	1,328,005	1,364,208	36,203
Expenditures				
Current:				
General government:				
Township board	119,671	119,671	97,118	22,553
Supervisor	26,445	26,445	26,201	244
Clerk	83,320	83,320	79,866	3,454
Board of review	-	-	898	(898)
Treasurer	88,318	88,318	84,782	3,536
Assessing	45,750	45,750	43,372	2,378
Elections	54,132	51,632	41,769	9,863
Building and grounds	37,675	30,475	37,566	(7,091)
Cemeteries	10,200	10,200	1,311	8,889
Zoning administrator	37,843	38,843	36,959	1,884
Planning commission	77,889	77,889	68,840	9,049
Zoning board of appeals	8,580	8,580	10,414	(1,834)
Economic development	4,000	4,000	-	4,000
Other	27,725	27,725	16,306	11,419
Insurance, bonds and fringes	102,950	102,950	92,438	10,512
Public safety:				
Police	157,915	157,915	150,729	7,186
Fire	577,724	177,724	305,555	(127,831)
Ordinance enforcement	368	2,468	2,410	58
Public works	29,125	26,025	9,095	16,930
Health and welfare :				
Seniors	6,100	6,100	4,769	1,331
Capital outlay	14,000	14,000	4,907	9,093
Debt service	97,276	97,276	39,000	58,276
Total expenditures	1,607,006	1,197,306	1,154,305	43,001
Excess (deficiency) of revenue over expenditures	(279,001)	130,699	209,903	79,204

Tyrone Township

Budgetary Comparison Schedule General Fund (Continued) Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Amended	Amounts	Amended Budget
Other Financing Uses				
Transfers out	(79,500)	(79,500)	(78,500)	1,000
Net change in fund balances	(358,501)	51,199	131,403	80,204
Fund Balances - Beginning of year	502,976	502,976	502,976	-
Fund Balances - End of year	\$ 144,475	\$ 554,175	\$ 634,379	\$ 80,204

Other Supplemental Information

Special Revenue Funds

Liquor Law Enforcement - to account for funds received by the Township for liquor law enforcement.

Road Improvement - to account for funds transferred from the Township's General Fund for road improvement projects.

Building and Site - to account for funds transferred from the Township General Fund for various building and site improvements.

Improvement Revolving - to account for funds transferred from the Township's General Fund for various capital improvement projects.

Jane Hill 1 & 2 Road Improvement - to account for the collection of special assessments levied on affected properties for road improvements.

Jane Hill 4 Road Improvement - to account for the collection of special assessments levied on affected properties for road improvements.

Parkwood/Driftwood Maintenance- to account for the collection of special assessments levied on affected properties for road improvements.

Jayne Hill Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Walnut Drive Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Jayne Hill Waste Removal - to account for the collection of special assessments for waste disposal.

Technology - to account for purchases and maintenance of computer equipment.

Silver Lakes Estate Road - to account for the collection of special assessments levied on affected properties for road paving improvements.

Tyrone Township

	Special Revenue Funds				
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund	Jayne Hill I & 2 Road Improvement
Assets					
Cash and investments	\$ -	\$ 241,318	\$ -	\$ 253,821	\$ 81,718
Receivable:					
Special assessments	-	-	-	-	71,263
Due from other funds	-	75,447	-	102,500	-
Due from other governments	-	-	-	50,000	1,643
Total assets	\$ -	\$ 316,765	\$ -	\$ 406,321	\$ 154,624
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	649	-	101
Deferred revenue	-	-	-	-	71,263
Total liabilities	-	-	649	-	71,364
Fund Balances					
Reserved for:					
Debt service	-	-	-	-	83,260
Other purposes	-	-	-	-	-
Unreserved (deficit)	-	316,765	(649)	406,321	-
Total fund balances	-	316,765	(649)	406,321	83,260
Total liabilities and fund balances	\$ -	\$ 316,765	\$ -	\$ 406,321	\$ 154,624

**Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2008**

Special Revenue Funds								Total Nonmajor Governmental Funds
Jayne Hill 4 Road Improvement	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Technology Fund	Silver Lake Estates Road Paving		
\$ 70,306	\$ 4,728	\$ 1,143	\$ 118	\$ 22,620	\$ 2,434	\$ 81,572	\$	759,778
42,372	-	-	-	-	-	-		113,635
-	-	-	661	-	-	-		178,608
2,648	-	84	-	1,653	-	-		56,028
\$ 115,326	\$ 4,728	\$ 1,227	\$ 779	\$ 24,273	\$ 2,434	\$ 81,572	\$	1,108,049
\$ -	\$ -	\$ -	\$ 660	\$ 1,410	\$ -	\$ -	\$	2,070
100	-	-	-	-	-	75,447		76,297
42,372	-	-	-	-	-	-		113,635
42,472	-	-	660	1,410	-	75,447		192,002
72,854	-	-	-	-	-	-		156,114
-	4,728	1,227	119	22,863	-	6,125		35,062
-	-	-	-	-	2,434	-		724,871
72,854	4,728	1,227	119	22,863	2,434	6,125		916,047
\$ 115,326	\$ 4,728	\$ 1,227	\$ 779	\$ 24,273	\$ 2,434	\$ 81,572	\$	1,108,049

Tyrone Township

	Special Revenue Funds				
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund	Jayne Hill I & 2 Road Improvement
Revenue					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 18,849
Charges for services	1,863	-	-	-	-
Interest	-	7,345	365	12,206	791
Total revenue	1,863	7,345	365	12,206	19,640
Expenditures					
General government	-	-	6,752	-	-
Public works	-	-	-	-	-
Public safety	1,863	-	-	-	-
Highways and streets	-	43,913	-	-	-
Capital outlay	-	-	8,383	-	-
Debt service	-	-	-	-	23,727
Total expenditures	1,863	43,913	15,135	-	23,727
Excess (deficiency) of revenue over expenditures	-	(36,568)	(14,770)	12,206	(4,087)
Other Financing Sources					
Transfers in	-	-	-	71,000	-
Net change in fund balances	-	(36,568)	(14,770)	83,206	(4,087)
Fund Balances - Beginning of year	-	353,333	14,121	323,115	87,347
Fund Balances (deficit) - End of year	\$ -	\$ 316,765	\$ (649)	\$ 406,321	\$ 83,260

**Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2008**

Special Revenue Funds								Total Nonmajor Governmental Funds
Jayne Hill 4 Road Improvement	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Technology Fund	Silver Lake Estates Road Paving		
\$ 24,365	\$ 500	\$ 1,092	\$ 110	\$ 19,999	\$ -	\$ -		\$ 64,915
-	-	-	-	-	-	-		1,863
399	-	-	-	-	152	3,759		25,017
24,764	500	1,092	110	19,999	152	3,759		91,795
-	-	-	-	-	-	-		6,752
-	-	1,374	123	17,488	-	-		18,985
-	-	-	-	-	-	-		1,863
-	-	-	-	-	-	-		43,913
-	-	-	-	-	5,218	-		13,601
40,086	-	-	-	-	-	-		63,813
40,086	-	1,374	123	17,488	5,218	-		148,927
(15,322)	500	(282)	(13)	2,511	(5,066)	3,759		(57,132)
-	-	-	-	-	7,500	-		78,500
(15,322)	500	(282)	(13)	2,511	2,434	3,759		21,368
88,176	4,228	1,509	132	20,352	-	2,366		894,679
\$ 72,854	\$ 4,728	\$ 1,227	\$ 119	\$ 22,863	\$ 2,434	\$ 6,125		\$ 916,047

Tyrone Township

**Report to the Township Board
March 31, 2008**



Plante & Moran, PLLC

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To the Township Board
Tyrone Township

We have recently completed our audit of the basic financial statements of Tyrone Township (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

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Report on Internal Control	I-3
Results of the Audit	4-6
Other Information	8

We are grateful for the opportunity to be of service to the Tyrone Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 15, 2008

Report on Internal Control

September 15, 2008

To the Township Board
Tyrone Township

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Tyrone Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

To the Township Board
Tyrone Township

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Interfund Receivable and Payable - As part of the audit adjustments that we proposed and were posted by management to various funds were ones to balance the interfund balances. We suggest that the Township adopt a procedure whereby the interfund balances are reviewed and balanced on a periodic basis.

Accrual Adjustments - We provided significant assistance in identifying and posting accrual adjustments to the accounting records during this year's audit. Accruals represent any adjustments other than cash that impact the accounting records (state-shared revenues, sewer billed and unbilled receivable, deferred revenue, accrued interest on long-term debt, and special assessment revenue and receivable). We are pleased to assist in this process – our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

Utility Billing - During the year sewer residential billing revenue was only recorded based upon cash receipts. The revenue and receivable should be recorded in the period when the billings are sent to residents. Cash collections should be recorded as a reduction to the receivable. Additionally, the accounts receivable subsidiary ledger should be compared to the general ledger balance quarterly.

Segregation of Duties - During the audit it was noted that there is a lack of segregation of duties related to the processing and recording of special assessments. The individual who collects payments is also responsible for updating/recording the special assessment subsidiary spreadsheet. This arrangement causes a lack of what is termed "segregation of duties" (i.e. where one person has control over both access to assets and the recording of the transactions). When segregation of duties is present in an internal control system, there are processes whereby the work of one individual is reviewed or checked by another. The following is a control to achieve adequate segregation of duties:

- We recommend that an individual independent from the cash receipt system should be responsible for maintaining and updating the special assessments subsidiary ledger (i.e. listing of amounts owed by each resident).

To the Township Board
Tyrone Township

Other comments and recommendations

Budget Adoption - During the year budgets were not adopted for any special revenue funds. Per Budget Act 621, budgets should be adopted for all special revenue funds.

Fund Balance Deficit - At the end of the year, the Building and Site Fund had incurred a small fund balance deficit in the amount of \$649. We want to remind the Township that a formal plan to eliminate the deficit will need to be prepared and submitted to the Michigan Department of Treasury. We would be happy to provide any guidance in this matter.

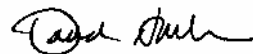
Ambulance Billing - During the audit it was noted that the ambulance receivable listing is largely comprised of receivables that have been outstanding for over six months. We recommend that the Board 1) consider adopting a formal policy to write off ambulance receivables after they have been outstanding for a six month period or 2) periodically review the receivable listing to decide if any of the receivables should be written off. The Township records the revenue from ambulance billings on the modified accrual basis (generally when received in cash) so the impact of this situation is not financial but rather operational (i.e. the amount of data to manage and monitor).

Sewer Fund - The Sewer Fund incurred an operating deficit (both on a cash basis and accrual basis of accounting) during the year ended March 31, 2008. In other words, the amount of current charges for services is not covering the cost to provide the sewer disposal and treatment. In addition, when the amount of outstanding bonded debt principal is compared to the amount of special assessments receivable plus available cash there appears to be a large shortfall. This indicates that there will not be enough resources to pay off the debt as it comes due. The debt is supported by the Township's full faith and credit. We suggest that discussions begin to plan for a resolution.

We would like to thank the Board for allowing us to serve as your independent auditors and consultants. We would also be happy to further discuss the items in this letter and to help in addressing their resolution should you desire.

Very truly yours,

Plante & Moran, PLLC



Tadd A. Harburn, CPA

To the Board of Trustees
Tyrone Township

We have audited the financial statements of Tyrone Township for the year ended March 31, 2008, and have issued our report thereon dated September 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Tyrone Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 12, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Tyrone Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008.

To the Township Board
Tyrone Township

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful life of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered some delays in management's ultimate resolution of the variances of the due to/due from accounts as time and effort was required by management to review the accounting data to determine the cause of the variances.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the audit we identified material entries to adjust special assessment receivables/deferrals, reconcile the interfund receivables and payables, accrue interest on long term debt, utility billing revenue and receivables which were posted by management. We identified two adjustments that were uncorrected misstatements during the course of the audit. The adjustments related to accrued interest expense at March 31, 2007 that were not recorded in the amounts of \$10,993 and \$255,573 for the governmental activities and business-type activities (i.e. Sewer Fund), respectively. Management has determined that the effects are immaterial, both individually, and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Township Board
Tyrone Township

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

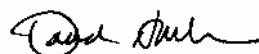
In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of the Board of Trustees and management of Tyrone Township and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Township board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC



Tadd A. Harburn, CPA

Other Information

1. **Property tax revenue** - As has been widely publicized, recent conditions in the real estate market are expected to have a negative impact on taxable values in the near future, even in some of our more affluent communities. The good news is that a given drop in market values will not result in an equivalent drop in taxable value (due to Prop A), but this dampened effect is diminished each year we continue with market declines. In other words, if we were to experience a theoretical 10 percent market decline three years in a row, the effect on taxable value (which would be different for each community) might be a 1 percent drop the first year, 4 percent the next year, and 7 percent in the third as taxable value bumps up against the state-equalized value. For this reason, it will be important to closely monitor taxable value, since this has the capacity to severely impact future years.
2. **State-shared revenue** - While we need to continue our caution on state shared revenue, in July the state legislature showed support (finally) for this embattled revenue source. With anticipated total sales tax revenue decreasing by about 1 percent, the legislature compromised on a budget that increases the statutory portion of SSR to hold communities harmless (so that total SSR will match the 2007-08 levels), plus it would add 2 percent to the Statutory portion of SSR received. However, in the case of Tyrone Township, no amounts are received related to the Statutory portion. According to the State's web-site, the Township is anticipated to receive the same amount of SSR as the 2007-08 amount.

The Governor's proposed budget also included \$2.4 million to restore state revenue sharing payments for the six qualifying counties that will exhaust their revenue sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue sharing program. Prior to their elimination from the revenue sharing program in 2005, counties statewide received approximately \$182 million annually.

We are encouraged that the legislature demonstrated in this budget that they understand the importance of revenue sharing to local units. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted.